

# Pruning The Family Business Tree

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One of my favorite stories about Yankee catcher Yogi Berra is the one about him going into a pizza shop and ordering a pizza to go. The proprietor asked Yogi if he would like the pizza pie cut into 6 or 8 slices. Yogi replied 6 because he was not that hungry!

For many family businesses, the families grow faster than the business. Their business is like a pie that is being cut into smaller and smaller pieces. This can end up with more family members in the business than what the business can afford to employ. Often this creates a situation where none of the family members are making a decent living; or where, because of a lack of re-investment (machinery, trucks, computers, etc) in the business, the business loses its competitive advantage in the market place.

### Hiring strategies for family members

To avoid this problem, we recommend that family businesses develop hiring strategies for family members so that only those family members who acquire a skill or expertise that the business needs are invited to join the business.

Kemba Dunham, a writer for the Wall Street Journal, said she could understand strategies for family members in the business, but what about the other family members. She posed a very interesting question to me – "What can non-employee family members contribute to the family business?"

GREAT QUESTION! We went on to discuss two very successful strategies we have used with our family business clients.

### Create a family foundation

One great idea is to create a Family Foundation (FF). This is a wonderful platform to accomplish many different goals.

First, it is a way to honor family (parents or grandparents) who founded a successful business.

The FF can be used to develop a wide range of community-focused improvement initiatives – such as a scholarship program for worthy students or paying for the cost of a teacher to maintain and/or upgrade their teaching skills.

One FF awarded a \$250 gift certificate to an office supply company for the "teacher of the year" – so the teacher could supplement classroom supplies without having to pay for these supplies with their own money.

The FF can coordinate and do the charitable work of the business.

The FF can be a great PR tool for the business and it can also provide employment for a family member.

And yes, set up correctly, the FF is tax deductible.

Start an ancillary business

Another successful strategy we recommend is to start an ancillary business.

For example, a family business that is in the warehouse and distribution business can consider "outsourcing" the delivery of their product to a family member. Now that family member has the nucleus of a "contract delivery" business and can promote and sell that service to other businesses.

Another client had a daughter who became a CPA. The business could not afford to hire her as a CFO or comptroller – but instead the family business became her first client as she set up her accounting and book keeping service!

If you would like to discuss these and other business building strategies – we would be delighted to hear from you!

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